

**CITY COUNCIL OF THE CITY OF SAN DIEGO  
SUPPLEMENTAL DOCKET NUMBER 1  
FOR THE REGULAR MEETING OF  
MONDAY, FEBRUARY 28, 2005 AT 2:00 P.M.  
CITY ADMINISTRATION BUILDING  
COUNCIL CHAMBERS – 12<sup>TH</sup> FLOOR  
202 “C” STREET  
SAN DIEGO, CA 92101**

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**ADOPTION AGENDA, CONSENT ITEMS**

**RESOLUTIONS:**

- \* ITEM-S400: Appointment of Edward S. Fletcher to Serve as a Member of the Civil Service Commission.

(See memorandum from Mayor Murphy dated 2/23/2005, with resume attached.)

**MAYOR MURPHY’S RECOMMENDATION:**

Adopt the following resolution:

(R-2005-764)

Council confirmation of the appointment by the Mayor of the City of San Diego of Edward S. Fletcher, to serve as a member of the Civil Service Commission, for a term ending January 9, 2010, replacing Daniel E. Eaton, whose term has expired.

**ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS**

**RESOLUTIONS:**

ITEM-S401: Consultant Selection for the Mayor-Council Form of Government Transition Process.

(See City Manager Report CMR-05-049.)

**CITY MANAGER'S RECOMMENDATION:**

Adopt the following resolution:

(R-2005-891)

Authorizing the City Manager to execute one or more agreements with the selected consultant(s) for the Mayor-Council form of government transition process, in an amount not to cumulatively exceed \$150,000.

**CITY MANAGER SUPPORTING INFORMATION:**

On January 24, 2005, the Mayor and City Council directed the City Manager to issue a Request for Qualifications ("RFQ") for consulting services for the transition process to the Strong Mayor/Strong Council form of government and to commence the selection process.

The RFQ was issued on Friday, January 28, 2005 and responses were due on February 11, 2005. Seven consulting firms responded to the RFQ and six were interviewed. A selection committee was formed and included representatives from the Mayor's office, the City Council, City Attorney, City Manager, the League of Women Voters, San Diego State University and a local government relations consulting firm.

The selection committee ranked the top three consulting firms and formulated four alternatives to present to the City Council for their consideration and approval.

1. Select the top ranked consultant (Management Partners Incorporated) and authorize the City Manager to enter into a contract not to exceed \$150,000.
2. Select one or more of the top three ranked consultants to work on particular tasks outlined in the transition plan (to be determined on the basis of the firm's expertise), and direct the City Manager to enter into separate and distinct contracts with each, not to cumulatively exceed \$150,000.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)

RESOLUTIONS: (Continued)

ITEM-S401: (Continued)

**CITY MANAGER SUPPORTING INFORMATION:** (Continued)

3. Direct city staff to conduct a major portion of the transition work, which could be supplemented on an as-needed basis by one or more of the top ranked consultants, and authorize the City Manager to enter into a contract for fixed tasks with a limited set fee.
4. Direct city staff to conduct all of the transition work without assistance from a consulting team.

The Resolution would authorize the City Manager to enter into a contract, under the City Manager authority, with the selected consultant(s) not to exceed \$150,000.

Herring/BAM

Staff: Beth Murray – (619) 236-6720

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)

RESOLUTIONS: (Continued)

ITEM-S402: Second Amendment to Retention Agreement with Vinson & Elkins to Provide Representation Before the Securities and Exchange Commission and to Perform Additional Investigation with Respect to the Audit of the City's FY 2003 Financial Statements.

**CITY MANAGER'S RECOMMENDATION:**

Adopt the following resolution:

(R-2005- )

Authorizing a second amendment to the retention agreement between the City of San Diego and Vinson & Elkins, in an amount not to exceed an additional \$1,200,000, for legal services related to representing the City before the Securities and Exchange Commission, and to perform additional investigation related to the audit by KPMG of the City's FY 2003 Financial Statements.

**CITY MANAGER SUPPORTING INFORMATION:**

The City previously retained the law firm of Vinson & Elkins (V&E) to prepare an internal report on the City's securities disclosure practices from 1996 through the present, and to provide representation of the City before the federal Securities and Exchange Commission [SEC] with respect to an investigation by the SEC. The total contract amount authorized by the Mayor and City Council for those purposes was in an amount not to exceed \$2.0 million. Vinson & Elkins delivered its report to the City, and has been continuing to represent the City before the SEC, primarily at this time focused on responding to document requests and other requests for information.

The City's FY 2003 CAFR has not been finalized and issued. The City Manager retained the firm of KPMG, LLP to perform the audit of the City's FY 2003 basic financial statements. Pursuant to accounting standards and practices, the City needs to conduct additional investigation beyond the scope of the Vinson & Elkins Report on Investigation to address issues relating to the financial statements. The additional investigation is necessary because the City's and KPMG's obligations with respect to allegations of illegal conduct in the context of an audit are broader than the investigation and reporting on federal disclosure law violations, the purpose for which the Vinson & Elkins Report was commissioned. The additional investigation will address legal issues and allegations of wrongdoing that were not the subject of the Vinson & Elkins Report.

ADOPTION AGENDA, DISCUSSION, OTHER LEGISLATIVE ITEMS (Continued)

RESOLUTIONS: (Continued)

ITEM-S402: (Continued)

**CITY MANAGER SUPPORTING INFORMATION:** (Continued)

V&E was retained to perform the additional investigation by the City Manager. The initial contract amount was not to exceed \$250,000, which was amended by the City Council in November 2004 for an additional \$350,000. The City has also retained additional expertise to advise it in these matters, including the law firm of Susman Godfrey, which provides expertise in accounting law, and the firm Chicago Partners, which provides forensic auditing expertise. The City continues to work cooperatively with KPMG on progress of the additional investigation. In addition, the City Attorney is also conducting an investigation of these allegations of wrongdoing. In order to complete the additional investigation, additional funding for V&E's services is required. An additional \$1,200,000 is needed to continue with the additional investigation. Additional sums may be necessary in the future depending on any additional scope and requirements as a result of the ongoing investigation.

Ewell/Vattimo

Aud. Cert. 2500773.

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